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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, May 27, 1998

APPLICATION OF

QWEST COMMUNICATIONS INTERNATIONAL, INC.,

LCI INTERNATIONAL, INC.,

LCI INTERNATIONAL TELECOM CORP.,

LCI INTERNATIONAL OF VIRGINIA, INC.,

AND

USLD COMMUNICATIONS, INC.

CASE NO. PUA980013

For approval of a transfer of control and
motion for expedited information

ORDER GRANTING APPROVAL

On March 31, 1998, Qwest Communications International, Inc. ("Qwest"), LCI International, Inc. ("LCII"), LCI International Telecom Corp. ("LCIT"), LCI International of Virginia, Inc. ("LCIV")¹, and USLD Communications, Inc. (USLDI") (collectively, referred to as "Applicants"), filed an application pursuant to Chapter 5 of Title 56 of the Code of Virginia. LCII, LCIT, LCIV, and USLDI are collectively referenced as "LCI." In the application, Applicants request authority to transfer control of LCIT, LCIV, and USLDI from the current shareholders of LCII to Qwest². Applicants request expedited treatment of the application.

¹ LCIV is certificated to provide local exchange service in Virginia.

² LCIT & USLDI do not own telecommunications facilities in Virginia.

As stated in the application, Qwest is a Delaware corporation headquartered in Denver, Colorado. Qwest is publicly traded on the NASDAQ. Its indirect wholly owned subsidiary, Qwest Communications Corporation ("QCC"), provides multimedia communications services to interexchange carriers and other communications entities, businesses, and consumers using its own facilities as well as facilities leased from other carriers. QCC also constructs and installs fiber optic communications systems for other communications companies.

LCII is a Delaware corporation headquartered in McLean, Virginia, and publicly traded on the New York Stock Exchange. LCII's primary operating subsidiary, LCIT, is the sixth largest interexchange telecommunications company in the nation based on presubscribed lines. LCIT provides local and worldwide long distance voice and data transmission services to businesses, residential customers, and other carriers over its own nationwide network of digital fiber optic facilities, transmission facilities leased from other carriers, and resold telecommunications services. LCIT has been providing interexchange telecommunications services on a resale basis in Virginia since September 1, 1991. LCIT is authorized by the Federal Communications Commission ("the FCC") to provide interstate and international telecommunications services. LCIV is an indirect, wholly owned subsidiary of LCIT and was granted authority by the Commission to provide local exchange service on April 25, 1997.

As further described in the application, USLDI is a Texas corporation and an indirect, wholly owned subsidiary of LCII that was acquired by LCII in December 1997. USLDI also provides interexchange telecommunications services on a resale basis and operator services in Virginia. USLDI also is authorized by the FCC to provide interstate and international telecommunications services.

As stated in the application, Qwest and LCII have entered into a definitive Agreement and Plan of Merger ("the Merger Agreement") pursuant to which Qwest will acquire LCII by purchasing all of LCII's outstanding shares from its current shareholders. Since LCIT, LCIV, and USLDI are wholly owned by LCII, the acquisition of LCII by Qwest will result in a transfer of ultimate control of LCIT, LCIV, and USLDI to Qwest. The transfer will be accomplished by establishing a newly formed, special-purpose subsidiary of Qwest, Qwest 1998-L Acquisition Corporation ("Qwest Sub"). Qwest Sub will be merged with and into LCIL LCII will be the surviving entity of the merger. Pursuant to a series of internal stock transfer transactions to occur promptly following the effective date of the merger, LCII will become a direct, 100% wholly owned subsidiary of QCC.

Applicants represent that the boards of directors of Qwest and LCII have approved the Merger Agreement. However, the Merger Agreement remains subject to approval of the stockholders and regulatory agencies. Applicants further represent that until such time as the merger becomes effective, the customers of LCIT, LCIV, and USLDI will continue to be served and billed pursuant to these companies' tariffs and operating authorities. Following the merger, and for such time as Qwest may deem strategic, Applicants contemplate that LCIT, LCIV, and USLDI, as Qwest subsidiaries, will continue to serve and bill customers under the rates, terms, and conditions of their respective tariffs. Applicants further represent that the proposed transfer of control will be seamless and will have no adverse impact on the customers of LCIT, LCIV, and USLDI Applicants state that the merger will provide LCI access to Qwest's capital, fiber optic network, economies of scale, and various service offerings that will enable LCI to improve its services to both existing and new customers.

Applicants represent that the proposed transfer of control is in the public interest. Applicants further represent that the addition of LCI to the Qwest family of companies will enhance the ability of LCI and Qwest to compete in the market for telecommunications services in Virginia. As stated by Applicants, LCI will be able to provide service to its customers more efficiently since it will use Qwest's nationwide state-of-the-art fiber network to carry its traffic. It is further stated that Qwest will make more efficient use of its network since LCI's sizeable customer base generates considerable traffic volumes. Applicants represent that both companies will benefit from increased economies of scale that will permit them to operate more efficiently and to compete against other carriers. Applicants further represent that, over time, customers in Virginia will benefit from the availability of increased local and long distance telecommunications products and service options.

An Order for Notice and Comments and Request for Hearing was issued on April 10, 1998, directing Applicants to provide notice of their application and providing interested persons with an opportunity to file comments or requests for hearing on or before May 11, 1998. That Order also directed the Commission's Staff to file a report detailing the results of its review of the application. Applicants filed proof of notice on May 11, 1998, and Staff filed its report on May 15, 1998.

In its report, Staff recommended only approval of the transfer of control of LCIV to Qwest. Staff noted that, based on information provided by Applicants in letters dated May 11, 1998, and May 13, 1998, it appeared neither LCIT nor USLDI owned telecommunications facilities in Virginia.

There were no comments or requests for hearing filed in this proceeding.

NOW THE COMMISSION, upon consideration of the application and Staff's Report, is of the opinion that the application should be approved, as modified herein. We will grant approval only for the transfer of control of LCIV to Qwest. We are of the opinion that the proposed transfer of control of LCIV would neither impair nor jeopardize the provision of adequate service by LCIV to the public at just and reasonable rates.

Accordingly,

IT IS ORDERED THAT:

- 1) Pursuant to §§56-88.1 and 56-90 of the Code of Virginia, approval is hereby granted for the proposed Agreement and Plan of Merger as it relates to the transfer of control of LCIV to Qwest.
- 2) There appearing nothing further to be done in this matter, it is hereby dismissed.